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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Regarding
Policies, Procedure and Rules for
Development of Distribution Resources
Plans Pursuant to Public Utilities Code
Section 769

Rulemaking 14-08-013
(Filed August 14, 2014)

**REPLY COMMENTS OF SOLARCITY CORPORATION ON
ORDER INSTITUTING RULEMAKING**

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October 6, 2014

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In accordance with the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, SolarCity submits these reply comments on the questions posed in the August 14, 2014 Order Instituting Rulemaking ("OIR") regarding policies, procedures and rules to guide California investor-owned electric utilities (IOUs) in developing their Distribution Resources Plan Proposals.

I. DESCRIPTION OF SOLARCITY

SolarCity is California's leading full service solar power provider for homeowners and businesses – a single source for engineering, design, financing, installation, monitoring, and support. The company provides cost-effective financing that enables customers to eliminate the high upfront costs of deploying solar. SolarCity has more than 3,000 California employees, based at 32 facilities around the state, and has provided clean energy services to more than 50,000 California customers.

II. REPLY TO COMMENTS ON SPECIFIC QUESTIONS

In the text below, the numbered headings correspond to questions posed in the OIR. Since these Reply Comments do not respond to each question, the headings are not always numbered sequentially.

2. CRITERIA TO GUIDE DEVELOPMENT OF DRPs

Overall, distribution plans should be set up to forecast and facilitate growth in customer

demand for Distributed Energy Resources (“DER”) in all areas of a distribution system, and provide a mechanism to incentivize customers and DER providers to invest in DER at particular locations in order to solve current or anticipated system problems. DERs can address the latter need in two ways: 1) passively, by the very nature of a DER resource like customer-side generation or energy efficiency; or 2) actively, through the optimal orientation of solar arrays or by added equipment and control systems that better matches generation and/or load to system needs. Whether passive or active, both are valuable and should be accounted for in distribution planning.

Most initial comments appear to agree with these objectives for distribution plans and accept the diversity by which DER can provide value to the distribution system in the near and longer term. See NRG Comments at 1-2, 3 and 8; IREC at 6-7; Vote Solar at 1-3. Most parties also seem to agree that an important role of the distribution utility is to facilitate customer choice of DER. See SCE Comments at pages 5, 8. In particular we note and appreciate the statement from PG&E,

...to the extent that IOU customers prefer and choose customer-owned or operated DERs to serve their retail electricity needs, IOUs should provide convenient, expedited and cost-effective methods and criteria for interconnecting those DERs to the grid in order to satisfy the preferences of their customers.

See PG&E Comments at 5. See also EDF Comments at 15; CAISO at page 2. SDG&E seems to agree: “The DRP should permit system upgrades as needed to support the integration of DERs.” See SDG&E Comments at page 8, 9.

Elsewhere in its comments, however, SDG&E appears to propose an unduly restrictive approach that would govern the type of DER that would be relied upon in distribution planning. Their comments suggest that for DER to receive or be recognized for valuable services provided to the distribution system, the resources must be subject to high levels of control by

the utility or stringent contractual obligations. See SDG&E Comments, pages 3, 7. A similar statement occurs in comments by Southern California Edison. See SCE Comments at page 9. According to SDG&E and SCE, utilities “must have the right to control any DER that chooses to be compensated for providing reliability services.”

SolarCity urges the Commission to resist the suggestion that it establish a framework under which DERs would only be ascribed value if subject to strict physical assurance of contractual requirements and penalties. It should reject the notion that DERs have zero value unless under the direct control of the distribution utility. This suggests that all DER’s must be, in effect, dispatchable, when in fact many DER systems may provide benefits passively without direct management by the owner, a third-party, or the utility. In this regard, we disagree with the portion of the CAISO Comments that suggests that “more passive” DERs may not be able to support distribution system operation. See CAISO Comments at 12. SolarCity believes that such systems can provide valuable services to support system reliability and reduce costs. There should be no blanket rule that discriminates against passive systems in terms of assessing value these resources offer, or in providing compensation for services needed by the distribution system.

While it may be reasonable to accord greater value to resources that are controllable by the distribution utility, other resources that are not subject to such requirements should still be recognized for providing value. For example, thousands of solar systems located in a distribution network provide benefits by reducing strain on the grid at certain times, even if those resources are not contractually obligated to generate at specific times. A probabilistic/portfolio approach should be used to recognize these values and factor these benefits into distribution planning and resource compensation schemes. These methods are

adequate to meet SDG&E's plea for "assurances of availability."

SDG&E focuses largely, if not exclusively, on assessing the direct benefits that DER provides to the grid, or in terms of reliability benefits based on location, technical resource attributes, and performance characteristics. A number of parties point out that while these are important, it is also important to consider the importance of customer preferences and goals in developing the DRPs. The Alliance for Retail Energy Markets makes this point (AREM Comments at 2), as does CESA, who suggests "customer goals" be added to the Policy Goals layer in the *More Than Smart* framework. See *Response Of The California Energy Storage Alliance On Order Instituting Rulemaking* (CESA Comments) at page 8. SolarCity agrees that locational values should be recognized and resources should receive incentives to deploy in optimal locations, but these should not be the only basis on which to incentivize DER. Distribution Resource Plans ("DRPs") should not prevent or discourage customer DER investment outside preferred locations. See NRG Comments at page 10. As EDF states, "Locations that do not meet [optimal location] screens should still have default access to a base level of more generic, system-wide, energy efficiency ("EE"), demand response ("DR"), and distributed generation ("DG") programs." See EDF Comments at page 7. DRPs should also address or be measured against their ability to facilitate other state goals including AB 32, Zero Net Energy buildings, or the Governor's 12,000 MW of DG goal, for example.

CESA suggests that the impact of DER deployment on utility shareholders should be expressly part of the analytical framework, based on the view that if DER deployment is bad for utility shareholders, then it will result in substantial resistance from the utilities.

"CESA recommends that explicit mechanisms to make investor shareholders whole for customer-owned and third party owned assets be developed..."

See Comments of CESA at 9. SolarCity asserts that it would be problematic to include utility shareholder interests as a factor to evaluate different resource options. For example, DER options should not be rejected or be given less consideration simply because they are less advantageous for utility shareholders. There may very well be circumstances where third-party owned DERs provide a more cost-effective solution relative to a conventional lines and wires solution. While third-party owned non-wire alternatives may reduce the investment opportunities for the utility shareholders, this is not a relevant factor in evaluating DER alternatives. To consider shareholder interests in this way would suppress DER alternatives, to perverse affect. While we do not agree with CESA's proposal, their comments highlight the concerns that emanate from the utilities' interest in preserving the status quo. Great care will need to be taken to ensure the utilities do not put their thumbs on the scale when considering the role that DER's can play in addressing system needs as an alternative to more conventional solutions.

To that end, SolarCity agrees with IREC that,

...the Commission [should] ensure that the IOUs explain in their DRPs how they will give equal consideration to DER and traditional, wires-based solutions. This should include identifying both barriers to the integration and incorporation of DER into distribution planning today, as well as how the IOUs' proposed approaches overcome these barriers.

See IREC Comments at page 18.

8. DATA ACCESS

Distribution Planning must be transparent, both as to methodology and system data. This will be critical as DER owners and suppliers need access to data on utility planning processes. We agree with SDG&E: "The DRP should address planning, engineering, and operational data that third parties may need to provide to utilities for effective, reliable

integration of DERs.” See also NRG Comments at page 8,10; SEIA Comments at page 2; IREC Comments at 15-16; and CAISO Comments at 14.

SolarCity agrees with Vote Solar’s proposal regarding data to make available and use of existing maps: with respect to Low-Cost Integration DERs, potential sites should be identified and made public on maps presented on IOUs’ web sites. Recognizing that these maps (i.e., the underlying data) and IOU DER forecasts will be dynamic, it is critical that IOUs update as frequently as possible the information they provide to the public. Doing so will ultimately result in smoother and more-efficient DER integration. See Vote Solar Comments at 9 and IREC comments at 6-7.

11 & 12. MONITORING, APPROVAL AND REVIEW OF DRPS

SolarCity agrees with a number of parties who emphasize the need for competitive neutrality. That is, DRPs and mechanisms to incentivize resource development/deployment should not unfairly favor a given technology, LSE, or business model. See Marin Clean Energy comments at 7, 8, and 10.

A key criterion for approval and periodic review of DRPs should be whether IOUs have engaged in proactive planning to accommodate forecasted DER growth. Distribution Resource Plans should identify investments in three areas:

1. Geographic areas having lowest cost to integrate additional customer-sited renewable generation;
2. Geographic regions where customer-sited renewables and other clean DERs have significant benefit to grid (typically described as optimal locations)
3. Areas where system upgrades are needed to meet customer demand for grid access for customer-sited generation.

We particularly emphasize the third focus area. Utilities should have an obligation to

build capacity for anticipated DER growth and DER customers should not have to pay for deficiencies in the distribution network order to connect. See IREC Comments at 12 and 13. Utilities should proactively invest in the grid to support organic DER growth driven by customer choice. The utility comments discuss the need to forecast DER growth, but do not appear to accept that DER growth should be part of proactive planning. We ask that the Commission be clear that accommodating anticipated DER (growth driven by customer demand) must be an explicit component of the Distribution Resource Plans. This would include routine assessment of projected growth of DER deployments, and identification of system investments needed to reasonably accommodate that anticipated growth.

14. SAFETY

SDG&E asserts that, “DERs will also be required to have anti-islanding schemes per Rule 21 to ensure the safety of IOU personnel.” See SDG&E Comments at 9. SolarCity believes that an objective of any forward-thinking electric system plan should be to increase the resilience of the distribution systems and to enable communities to recover from loss of electric service due to earthquake, storm, or other events. There are technologies available today that would allow customers with PV systems to safely island in a way that prevents export to the distribution system, but allows the owners access to power needed to maintain communications, seek assistance and conduct business during an outage. See also NRG Comments at page 10 and CAISO Comments at page 8 (“The possibility of local resiliency via islanding in response to system disturbances will be a significant driving factor.”).

All utility distribution plans, therefore, should facilitate the integration of these kinds of systems, and not inflexibly adhere to a rigid anti-islanding philosophy. Similarly, the Commission in this case or related ones should address the question whether Rule 21 anti-

islanding provisions should be modified to reflect evolution of technology and services to meet needs during emergencies and power outages. Such action would be consistent with the policy reforms under discussion in the NY PSC's Re-Envisioning Energy (REV) proceeding. See Report of the New York State Department of Public Service Staff, *Reforming the Energy Vision*, April 24 2014, Case 14-M-0101, page 7, 13, 29.

13. DER OWNERSHIP

SolarCity agrees with EDF that, "If utilities or utility affiliates are permitted to own DER, the Commission should develop rules to prevent utilities from exerting market power." See EDF Comments at page 5 and SEIA Comments at page 5. We would go further, however, and urge the Commission to not allow regulated utilities to own behind-the-meter DER. While we have no concerns with unregulated affiliates competing in the market, subject to affiliate transaction rules, SolarCity believes it is essential that regulated utilities not be allowed to own DER on the customer-side of the meter. Inevitably utility ownership will allow them to leverage their rate base and ratepayer funded assets to gain unfair advantage in the market.

15. FURTHER ACTIONS TO COMPLY WITH SECTION 769

SolarCity urges the Commission to reject the suggestion of SDG&E that "a larger share of the utility's fixed costs should be recovered through demand charges based on end-users' maximum grid withdrawal during defined billing periods." See SDG&E Comments at page 3. While we agree with IREC that eventually the Commission may need to re-examine how to structure utility earnings so that utility interests are better aligned with state policy goals, an increase in demand charges would be counter-productive to a wide range of clean energy policy objectives. Additionally, specific rate design proposals and rate reform are being considered elsewhere and thus would seem to inappropriately and unnecessarily broaden the scope of issues that should be considered in this proceeding. See IREC Comments at 21. We

note in this regard agreement with NRG's statement that the Commission should phase out standby charges and departing load charges. See NRG Comments at 11-12.

III. CONCLUSION

SolarCity appreciates the Commission's consideration of its comments and looks forward to future engagement in this proceeding.

Respectfully submitted on October 6, 2014.

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